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 FM SECSTATE WASHDC  
 TO RUEHBI/AMEMBASSY KINSHASA IMMEDIATE 0000  
 INFO RUEHBS/AMEMBASSY BRUSSELS 0000  
 RUFHFR/AMEMBASSY PARIS 0000  
 BT  
 S E C R E T STATE 123291

E.O. 12065: RDS 2; 4 (THORNE, C T) 5/6/02  
 TAGS: PINR, CG  
 SUBJECT: IIM ON ZAIRE

REF: A) KINSHASA 4709 B) KINSHASA 4856

1. SECRET - ENTIRE TEXT
2. AF HAS REQUESTED AN INTERAGENCY INTELLIGENCE MEMORANDUM ON ECONOMIC TRENDS IN ZAIRE AND THEIR IMPACT ON POLITICAL STABILITY. DRAFT TERMS OF REFERENCE ARE REPEATED BELOW. DRAFTERS HAVE REQUESTED EMBASSY CONTRIBUTIONS ON SECTION III A 3 (NET LOSS OF REVENUES) AND III B 3 (PORTION ON TRANSPORTATION) AND 4 (INGA/SHABA COSTS). EMBASSY'S INPUT ON OTHER POINTS WILL OF COURSE BE MOST WELCOME. BECAUSE TARGET DATE FOR FIRST DRAFT HAS BEEN MOVED FORWARD TO ACCOMMODATE NEED FOR CONSULTATIONS RAISED IN REFTELS, EMBASSY REPLY SHOULD BE RECEIVED BY MAY 14. GREATLY REGRET THE SHORT NOTICE.
3. BEGIN TEXT OF TERMS OF REFERENCE:
  - I. INTRODUCTION AND GENERAL OVERVIEW OF ECONOMIC DECLINE SINCE 1974
  - II. GOZ POLICY RESPONSES
    - A) REFORMS PROPOSED BY IFI'S AND US
    - B) DISCREPANCY BETWEEN REFORMS PROPOSED AND THOSE ACTUALLY IMPLEMENTED BY ZAIRE
    - C) CONSEQUENCES OF (B): IS ZAIRE WORSE OFF?
  - III. CURRENT SITUATION
    - A) RESOURCE FLOWS
      - 1) ESTIMATED BALANCE OF TRADE, BALANCE OF PAYMENTS AND CURRENT ACCOUNT GAPS FOR 1982.
      - 2) WHAT WILL BE THE LIKELY IMPACT OF THE PROJECTED GAPS ON THE POSSIBILITY AND TERMS OF A NEW ZAIRIAN-IMF AGREEMENT? WHAT WOULD BE THE MOST LIKELY REQUIREMENTS IMPOSED ON ZAIRE BY THE IMF IN RETURN FOR A NEW AGREEMENT?

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3) ESTIMATE OF NET LOSS OF EXPORT AND TAX REVENUES THROUGH SMUGGLING AND ILLEGAL CAPITAL OUTFLOWS.

4) WITHOUT ADDITIONAL OUTSIDE ASSISTANCE OR RESCHEDULING, WHAT WILL BE ZAIRE'S ABILITY TO SERVICE ITS OUTSTANDING DEBT BURDEN?

5) ASSUMING A CONTINUATION OF CURRENT ATTITUDES OF THE IMF AND THE LONDON AND PARIS CLUBS, WHAT IS THE LIKELIHOOD OF ZAIRE DEFAULTING OFFICIALLY ON ITS DEBTS?

6) ARE THERE ANY UNTAPPED FUNDING SOURCES/DONORS THAT ZAIRE CAN TURN TO? WHAT LEVELS OF FUNDING ARE POSSIBLE FROM THESE SOURCES?

7) WHAT IS THE IMPACT OF MILITARY/INTERNAL SECURITY SPENDING ON THE ECONOMY?

## B) IMPACT OF SHORTFALL

1) HOW DEEPLY WILL THE FOREIGN EXCHANGE SHORTAGE AFFECT IMPORTS FOR 1982? WHAT IMPORTS ARE MOST LIKELY TO BE AFFECTED BY THE SHORTAGE (BOTH OFFICIAL AND NONOFFICIAL)? WHAT EFFECT WILL THE SHORTAGE HAVE ON PRODUCTIVE CAPACITY?

ARE LIKELY SHORTAGES OF CRITICAL IMPORTS, E.G., FOOD AND PETROLEUM, LIKELY TO RESULT IN POPULAR DISAFFECTION AND OPEN OPPOSITION TO THE GOVERNMENT?

2) WILL CONTINUED OR ADDITIONAL CUTBACKS OF KEY IMPORTED RESOURCES FOR THE MINING AND NON-MINING INDUSTRIAL SECTOR RESULT IN THE COLLAPSE OF CERTAIN INDUSTRIES OR CAN THEY OPERATE AT LOWER LEVELS OF CAPACITY? INDUSTRIAL CUTBACK SCENARIOS BASED ON INCREASING LEVELS OF RESOURCE DEPRIVATION WOULD BE HELPFUL.

3) WHAT ARE THE COSTS TO STOP THE DETERIORATION AND TO PERMIT REAL GROWTH OF THE MINING SECTOR AND THE TRANSPORTATION NET?

4) WHAT WILL BE THE OPERATION/AMORTIZATION/MAINTENANCE COSTS OF THE INGA/SHABA LINE ANNUALLY THROUGH 1985? HOW MUCH OF THIS WILL LIKELY BE COVERED BY PROBABLE REVENUES THROUGH 1985?

## C) LABOR

1) WHAT PERCENTAGE OF THE WORKFORCE IS IN THE MONEY ECONOMY? HOW MUCH UNEMPLOYMENT WOULD BE GENERATED BY ADDITIONAL CUTBACKS IN INDUSTRIAL OUTPUT? WHERE IS THE UNEMPLOYMENT LIKELY TO BE CONCENTRATED?

2) HOW MUCH OF THE RURAL POPULATION IS AT THE SUBSISTENCE LEVEL? WOULD A CONTINUED DETERIORATION OF THE ECONOMY RESULT IN WIDESPREAD STARVATION IN THE COUNTRY SIDE?

3) CAN THE RURAL ECONOMY CONTINUE TO SUBSIST WITH ONLY LIMITED INTERACTION WITH THE URBAN MONEY ECONOMY? WOULD SUBSTANTIAL DECREASES IN FOOD PRODUCTION IN THE INTERIOR ALSO RESULT IN STARVATION IN URBAN CENTERS?

IV. SCENARIOS: DRAWING ON THE ABOVE, WHAT ARE THE ECONOMIC AND POLITICAL (DOMESTIC AND FOREIGN RELATIONS) CONSEQUENCES UNDER EACH OF THE FOLLOWING SCENARIOS?

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A. NO PROGRESS IN 1982. MOBUTU DOES NOT FOLLOW THROUGH ON ENOUGH REFORMS TO TRIGGER NEW PROGRAMS OR AGREEMENTS WITH THE IFI'S AND CREDITORS.

B. MINIMAL REFORMS IN 1982. MOBUTU DOES JUST ENOUGH TO CONVINCE THE IFI'S AND CREDITORS TO GIVE ZAIRE NEW PROGRAMS OR AGREEMENTS.

C. MAXIMUM EFFORT BY MOBUTU. MOBUTU BEGINS A PROCESS OF TRUE REFORM INCLUDING STRICT BUDGETARY CONTROLS AND TRANSPARENCY OF GECAMINES/SOZACOM OPERATIONS.

NOTE: RUN EACH OF THE ABOVE SCENARIOS THROUGH EACH OF THE FOLLOWING CONDITIONS:

1. CURRENTLY DEPRESSED MINERAL PRICES.
2. MODERATE RECOVERY IN MINERAL PRICES.

3. BOOM IN MINERAL PRICES. HAIG  
END OF MESSAGE

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